



**LEGISLATIVE
FISCAL BUREAU**

STATE OF WISCONSIN

JANUARY 2023

Informational Paper #70

Petroleum Inspection Fund

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Petroleum Inspection Fund

Introduction

The petroleum inspection fund (PIF) provides funds for petroleum tank and inspection programs and other programs in the Departments of Administration; Agriculture, Trade and Consumer Protection (DATCP); Military Affairs; Natural Resources (DNR); Revenue; and Transportation. Revenue for the fund is generated from the petroleum inspection fee. Under Chapter 168 of the statutes, DATCP is responsible for inspecting petroleum products brought in to the state to assure that the product meets minimum product grade and environmental specifications. The grade specifications are established by administrative code and are based on nationally recognized standards, specifications and classifications. A petroleum inspection fee is imposed on all of the inspected petroleum products. The Department of Revenue (DOR) collects the fee at the same time that it collects the motor vehicle fuel tax at petroleum company terminals.

Approximately 3.7 billion to 3.9 billion gallons of petroleum are inspected annually, including gasoline, diesel and heating oil. Each one cent of petroleum inspection fee, therefore, would typically generate revenues of approximately \$37 million to \$39 million annually. The current 2¢ per gallon fee is anticipated to generate approximately \$79 million in petroleum inspection fees in 2022-23. The petroleum inspection fund also receives revenues from inspection and plan review fees for bulk petroleum tanks, and interest income on the fund balance.

Although a petroleum inspection fee existed since at least 1880, it has been used more recently as a funding source for cleanup of petroleum contamination since the creation of the petroleum environmental cleanup fund award (PECFA) program in 1988. The PECFA program ended in

2020, and since then, the petroleum inspection fee is largely used to fund appropriations and transfers to the Department of Transportation (DOT). In 1988, the fee was 0.4¢ per gallon and was increased to 1¢ in 1991, to 2¢ in 1992, and to 3¢ per gallon in 1993. The fee was decreased from 3¢ to 2¢ per gallon on April 1, 2006.

The condition of the petroleum inspection fund is shown in Table 1. The petroleum inspection fund is currently expected to have an unencumbered balance of approximately \$0.6 million on June 30, 2023.

Under 2019 Wisconsin Act 9, revenue from one cent of the two-cent petroleum inspection fee on gasoline, diesel, and other petroleum products is deposited directly into the transportation fund, effective July 1, 2020. In the two fiscal years since enactment, this provision has resulted in an average of \$37.6 million annually associated with one cent of the fee being deposited into the transportation fund.

Further, under 2017 Wisconsin Act 59, the Secretary of the Department of Administration is required, beginning on June 30, 2020, and on June 30 of each subsequent fiscal year, to transfer the unencumbered balance of the petroleum inspection fund to the transportation fund, except the provision requires not less than 5% of the gross revenues received by the petroleum inspection fund during the fiscal year in which the transfer is made to remain in the petroleum inspection fund balance. Under this provision, \$17,018,600 was transferred to the transportation fund on June 30, 2022. The transfer at the close of the 2022-23 fiscal year is estimated at \$16.1 million.

In 2021-22, revenue from the petroleum inspection fee totaled \$80.0 million, of which \$40.0

Table 1: Petroleum Inspection Fund Estimated Condition, 2019-20 Through 2022-23

	2019-20 Actual	2020-21 Actual	2021-22 Actual	2022-23 Estimated
Opening Balance -- July 1	\$11,078,300	\$4,570,600	\$1,848,700	\$2,123,900
Revenues				
Petroleum Inspection Fee	\$83,891,600	\$35,188,000	\$39,971,500	\$39,350,000
Petroleum Bulk Tank Fees and Other	<u>890,900</u>	<u>270,000</u>	<u>528,200</u>	<u>270,000</u>
Total Revenues	\$84,782,500	\$35,458,000	\$40,499,700	\$39,620,000
Total Revenue Available	\$95,860,800	\$40,028,600	\$42,348,400	\$41,743,900
Expenditures and Reserves				
PECFA Awards	\$5,179,200	\$4,115,600	\$0	\$0
DNR Remediation Programs	3,727,900	3,714,000	3,935,400	3,947,000
DNR Air Programs	2,534,900	3,036,600	2,881,000	2,841,500
DATCP Petroleum Inspection	4,703,600	4,828,800	4,885,100	4,928,700
Transportation Fund and DOT Programs	6,646,100	6,670,400	6,654,000	6,680,500
Emergency Management Programs	2,963,200	2,751,900	1,686,800	1,922,500
Other DATCP Programs	1,173,100	1,188,800	1,199,000	1,199,000
Environmental Fund Transfer	1,704,800	1,704,800	1,704,800	1,704,800
Other Programs	<u>1,351,600</u>	<u>180,200</u>	<u>259,800</u>	<u>400,300</u>
Total Expenditures	\$29,984,400	\$28,191,100	\$23,205,900	\$23,624,300
Less Transfer to Transportation Fund	\$61,305,800	\$9,988,800	\$17,018,600	\$16,138,700
Cash Balance	\$4,570,600	\$1,848,700	\$2,123,900	\$1,980,900
Encumbrances, Continuing Balances	-\$11,016,100	-\$350,900	-\$1,396,600	-\$1,396,600
Closing Available Balance -- June 30	-\$6,445,500	\$1,497,800	\$727,300	\$584,300

million was deposited directly into each of the transportation and petroleum inspection funds. Additional revenues deposited directly into the petroleum inspection fund included \$0.5 million from petroleum bulk tank fees and interest income. Expenditures in 2021-22 totaled \$23.2 million. In addition, \$17 million was transferred from the petroleum inspection fund to the transportation fund. It is anticipated that in 2022-23, revenue from the petroleum inspection fee and other revenues will total \$39.6 million, and expenditures will total \$23.6 million, including 89.60 positions. In addition, an estimated \$16.1 million will be transferred to the transportation fund.

With the retirement in 2019 of PECFA program revenue obligation bonds that were supported by petroleum inspection fees, and with the full implementation of 2017 Act 59 and 2019 Act

9 transfer provisions, a majority of the uses of petroleum inspection fee revenues have transitioned to support of transportation programs. In addition to the one cent of the fee deposited directly in the transportation fund, approximately 58% (\$46.5 million) of the expenditures from the petroleum inspection fund in the 2021-23 biennium will be for DOT appropriations and transfers of unencumbered balances from the petroleum inspection fund to the transportation fund. Approximately 17% (\$13.6 million) of fund expenditures will be for DNR remediation and air management programs and department-wide activities. DATCP petroleum inspection will account for 12% (\$9.8 million) of expenditures, while emergency management, other DATCP programs, the environmental fund transfer, and other programs are expected to account for approximately 13% (\$10.1 million).

The appropriations funded from the petroleum inspection fund are listed individually in the Appendix. The programs are described in the following sections.

Department of Natural Resources

In 2022-23, DNR is authorized funding of \$3,947,000 with 31.10 positions in the Environmental Management Division for environmental repair, petroleum spills, and abandoned tank removal. (DNR contaminated land activities are also funded from other state and federal sources.) For more information, see the Legislative Fiscal Bureau informational paper entitled, "Contaminated Land Cleanup Programs."

DNR budgets \$1,620,100 and 5.5 positions from the petroleum inspection fund for air program activities in 2022-23. These positions are allocated for air management activities related to mobile source pollution control, air emission reduction from fuel storage and distribution systems, pollution prevention, air monitoring, and department-wide activities related to air management. These positions are funded from five appropriations. (For more information, see the Legislative Fiscal Bureau informational paper entitled, "Air Management Programs.") DNR also has funding of \$1,221,400 and 3.5 positions for department-wide activities such as finance, legal, human resources, and environmental analysis.

Department of Administration

The diesel truck idling reduction grant program was created under 2005 Wisconsin Act 25. However, the grant program sunset in June, 2020, and program administration sunset in December, 2021. In 2019-20, the final year of the grant program, \$748,500 was awarded to 20 large fleet motor carriers for 196 units and \$242,600 was awarded to 30 small fleet motor carriers for 46 units. A total of \$42,800 was expended in 2021-22, the final year of grant administration.

The program aimed to improve fuel efficiency and lower air pollution by providing grants to freight motor carriers headquartered in Wisconsin to install idling-reduction units for long-haul truck tractors. The units provide an alternative source of power to heat, cool, or provide electricity to the truck cab, or other parts of the vehicle, instead of using the main drive engine to power those functions. Motor carriers were eligible to receive reimbursement of up to 50% of the cost to purchase and install idling-reduction equipment.

Department of Agriculture, Trade and Consumer Protection

DATCP has authorized funding of \$5,824,800 from the petroleum inspection fund in 2022-23 with 42.15 positions for the Bureau of Weights and Measures, whose staff are responsible for: (a) sampling and testing of petroleum products sold in the state to ensure consistency with accepted quality and purity standards; (b) testing commercial weights and measures to ensure the reported quantity, such as at retail fuel pumps, matches the amount sold to consumers; (c) enforcing standards for storage tanks of flammable or combustible liquids; and (d) reviewing plans for construction, modification or placement of such storage tanks. Funding for these activities is supported by two appropriations, including \$4,928,700 with 36.15 positions associated with petroleum inspection and \$896,100 with 6.0 positions associated with weights and measures.

DATCP also is appropriated \$302,900 from the fund in 2022-23 with 2.35 positions for enforcement of the state's Unfair Sales Act, which generally prohibits sales of goods below cost. For gasoline, tobacco products, and alcoholic beverages, the statute requires a certain percentage increase in the wholesale or retail price relative to the seller's invoice price, known as the "minimum markup." These responsibilities are assigned to the Bureau of Business Trade Practices.

Department of Military Affairs

The Department of Military Affairs (DMA) is provided \$1,460,400 in 2022-23 from the petroleum inspection fund in a continuing appropriation for the state disaster assistance program, which makes payments to local units of government, retail electric cooperatives, and federally-recognized Native American tribes and bands in Wisconsin for costs incurred as the result of a disaster, if federal disaster assistance is not available. Eligible costs include: (a) debris removal; (b) emergency protective measures; and (c) repair of damage to roads and bridges. Appropriated amounts unspent in a fiscal year remain in the appropriation to support future disaster relief.

The disaster assistance appropriation began 2021-22 with a balance of \$275,100. Under 2021 Act 58, the appropriation was provided \$711,200 in 2021-22 and 2022-23 from the petroleum inspection fund. In May, 2022, under s. 13.10 of the statutes, the appropriation was provided an additional \$2,285,200 (\$1,536,000 for 2021-22 and \$749,200 for 2022-23) in one-time supplements.

Further, DMA is appropriated \$462,100 in 2022-23 for annual grants to local emergency planning committees. Committees may utilize grant funding to pay for eligible costs incurred in the event of a release of hazardous substances. Eligible costs include: (a) maintaining, reviewing, exercising, and implementing emergency response plans; (b) purchasing computers and emergency response equipment (80% of the cost, up to \$10,000); (c) paying for hazardous materials resource supplies; (d) operating the committee; (e) the portion of a previous year's costs that was approved by DMA but not paid because of insufficient funds; and (f) any other committee activity required under law. Appropriated amounts unspent in a fiscal year revert to the petroleum inspection fund. In 2021-22, DMA spent \$462,100 on the grant program.

Miscellaneous Appropriations

Purchasers of aviation fuel on which the petroleum inspection fee has been assessed are eligible for reimbursement of 2¢ for each gallon of aviation fuel purchased in excess of 1,000,000 gallons per month. DOR processes applications and pays them from a sum sufficient appropriation. Expenditures were \$82,200 in 2021-22.

A transfer of \$1,704,800 annually is made from the petroleum inspection fund to the segregated environmental management account of the environmental fund. The revenue received by the environmental management account is used for DNR and other state programs, including contaminated land cleanup and recycling. (For more information, see the Legislative Fiscal Bureau's informational paper entitled, "Environmental Management Account.")

An ongoing annual appropriation has been made from the petroleum inspection fund to the transportation fund since 2004-05. Originally, the intent of this transfer was to fund a portion of the cost of the vehicle emissions inspection program in southeast Wisconsin with revenue from that fund, but there is no direct tie to the appropriation for that program. The transfer of \$6,258,500 per year is currently nearly twice the amount of the total appropriation for the emissions inspection program (\$3,193,300 annually in the 2021-23 biennium).

The ongoing transfer has been supplemented by specified one-time transfers from the petroleum inspection fund in recent biennia. These transfers do not fund a specific appropriation within the transportation fund. These sum certain transfers have been replaced with the transfers and fee deposit described previously.

Department of Revenue

The Department of Revenue (DOR) is authorized funding of \$100,300 in 2022-23 with 1.0 position to administer collection of the petroleum inspection fee.

Department of Transportation

In addition to the transfers described previously, a demand management appropriation in DOT's general transportation operations program supports policies and programs designed to reduce traffic volume, especially during peak hours of traffic congestion. In 2022-23, funding of \$422,000 supports 4.0 urban and regional planning positions in the DOT's southeast regional office.

One-Time and Recurring Transfers

The biennial budgets enacted in several recent biennia have required one-time transfers from the petroleum inspection fund to the general fund, transportation fund, former recycling and renewable energy fund, and environmental management account of the environmental fund. A cumulative total of \$421 million has been or will be transferred from the petroleum inspection fund to other funds from 2001-02 to the end of 2022-23, including estimated year-end transfers to the transportation fund under Act 59, but not including petroleum inspection fee revenues directly deposited to the transportation fund totaling \$75.2 million since 2020-21. The amounts transferred in each year by fund are shown in Table 2.

Table 2: Transfers from the Petroleum Inspection Fund to Other Funds

Fiscal Year	General Fund	Transportation Fund	Recycling and Renewable Energy Fund	Environmental Management Account	Total Transfer to Other Funds
2001-02	\$1,187,800				\$1,187,800
2002-03	2,028,900				2,028,900
2003-04	20,954,200				20,954,200
2004-05	209,900				209,900
2005-06	10,860,600				10,860,600
2006-07	20,258,800				20,258,800
2007-08	1,019,400	\$14,000,000			15,019,400
2008-09	16,891,100				16,891,100
2009-10	21,973,100	10,000,000	\$2,000,000	\$230,000	34,203,100
2010-11	14,048,900	17,800,000	2,000,000	530,000	34,378,900
2011-12	0	19,500,000	0	0	19,500,000
2012-13	0	19,500,000	0	0	19,500,000
2013-14	0	16,000,000	0	0	16,000,000
2014-15	0	16,000,000	0	0	16,000,000
2015-16	0	21,000,000	0	0	21,000,000
2016-17	0	21,000,000	0	0	21,000,000
2017-18	0	24,000,000	0	0	24,000,000
2018-19	0	24,000,000	0	0	24,000,000
2019-20	0	61,305,800	0	0	61,305,800
2020-21	0	9,988,800	0	0	9,988,800
2021-22	0	17,018,600	0	0	17,018,600
2022-23*	<u>0</u>	<u>16,138,700</u>	<u>0</u>	<u>0</u>	<u>16,138,700</u>
Total	\$109,432,700	\$307,251,900	\$4,000,000	\$760,000	\$421,444,600

* Estimated.

APPENDIX

Petroleum Inspection Fund Appropriations, 2019-20 Through 2022-23

Agency/ Statutory Citation	Appropriation Name	2019-20 Expenditures	2020-21 Expenditures	2020-21 Positions	2021-22 Expenditures	2022-23 Budgeted	2022-23 Positions
Natural Resources [20.370]							
(4)(bt)	Air management - mobile sources	\$1,102,327	\$1,566,756	4.50	\$1,510,785	\$1,466,700	4.50
(4)(cv)	Air quality monitoring stations	20,021	36,109	0.00	30,000	30,000	0.00
(4)(cw)	Air management - motor vehicle emission inspection and maintenance program	18,400	18,400	0.25	21,500	21,500	0.25
(4)(dw)	Environmental repair, petroleum spills and PECFA administration	3,659,300	3,659,300	31.95	3,847,000	3,847,000	31.10
(6)(fr)	PECFA Awards*	5,179,185	4,115,554	0.00	0	0	0.00
(6)(fv)	Abandoned tank removal	68,584	54,736	0.00	88,391	100,000	0.00
(8)(mq)	Mobile source air pollution	1,023,800	1,044,900	0.75	956,600	961,200	0.75
(9)(mq)	Mobile source air pollution	<u>370,400</u>	<u>370,400</u>	<u>3.50</u>	<u>362,100</u>	<u>362,100</u>	<u>3.50</u>
	DNR Subtotal	\$11,442,017	\$10,866,156	40.95	\$6,816,376	\$6,788,500	40.10
Administration [20.505]							
(1)(sa)	Diesel truck idling reduction grants	\$991,027	0	0.00	0	0	0.00
(1)(s)	Diesel truck idling reduction grant administration	89,600	66,500	0.00	42,800	0	0.00
Agriculture, Trade and Consumer Protection [20.115]							
(1)(r)	Unfair Sales Act	282,900	294,200	2.35	302,900	302,900	2.35
(1)(s)	Weights and measures	890,200	894,600	6.00	896,100	896,100	6.00
(1)(t)	Petroleum inspection	4,703,600	4,828,800	36.15	4,885,068	4,928,700	36.15
Military Affairs [20.465]							
(3)(r)	Local emergency planning grants	462,000	462,100	0.00	462,100	462,100	0.00
(3)(s)	Major disaster assistance	2,501,236	2,289,830	0.00	1,224,656	1,460,400	0.00
Miscellaneous Appropriations [20.855]							
(4)(r)	Petroleum allowance	188,208	22,303	0.00	82,199	300,000	0.00
(4)(w)	Transfer to transportation fund	6,258,500	6,258,500	0.00	6,258,500	6,258,500	0.00
(4)(wc)	Transfer to environmental fund – environmental management	1,704,800	1,704,800	0.00	1,704,800	1,704,800	0.00

Petroleum Inspection Fund Appropriations - (continued)

Agency/ Statutory Citation	Appropriation Name	2019-20 Expenditures	2020-21 Expenditures	2020-21 Positions	2021-22 Expenditures	2022-23 Budgeted	2022-23 Positions
Revenue [20.566]							
566 (1)(s)	Petroleum inspection fee collection	\$73,551	\$84,341	1.00	\$92,695	\$100,300	1.00
Transportation [20.395]							
(4)(dq)	Air quality - demand management	387,571	411,908	4.00	395,489	422,000	4.00
Miscellaneous - Controller's Office							
	Payment of Cancelled Checks	<u>9,173</u>	<u>7,130</u>	<u>0.00</u>	<u>42,214</u>	<u> </u>	<u>0.00</u>
Subtotal Agencies Other than DNR		\$18,542,366	\$17,325,012	49.50	\$16,389,521	\$16,835,800	49.50
Subtotal Petroleum Inspection Fund Appropriations		\$29,984,383	\$28,191,168	90.45	\$23,205,897	\$23,624,300	89.60
Additional Expenditures							
Budget Act and Recurring Transfers to the Transportation Fund		<u>\$61,305,803</u>	<u>\$9,988,842</u>	<u>0.00</u>	<u>\$17,018,578</u>	<u>\$16,138,700</u>	<u>0.00</u>
Total Expenditures, Petroleum Inspection Fund		\$91,290,186	\$38,180,010	90.45	\$40,224,475	\$39,763,000	89.60

*PECFA awards expenditures were \$4,115,600 in 2020-21 from the balance of a biennial appropriation. The program has sunset, and base funding is no longer provided.